

## Message Text

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14

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ADP-00 SCEM-02 TRSE-00 INT-08

EB-11 COME-00 CIAE-00 DODE-00 PM-07 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

OMB-01 IO-13 AID-20 RSR-01 /168 W

----- 050359

R 260630 Z JUN 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6989

INFO : AMEMBASSY ABU DHABI 0509

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 2222

BEIRUT PASS BAGHDAD

E. O. 11652: GDS

TAGS: ENRG KU

SUBJ: KUWAIT PARTICIPATION RENEGOTIATION

REF: ( A ) KUWAIT 2066 ( B ) KUWAIT 2123

1. EMBASSY HAS BEEN UNABLE DISCUSS RECENT GOK DECISION RE-NEGOTIATE PARTICIPATION AGREEMENT WITH OFFICIALS IN MINISTRY FINANCE AND OIL SINCE WORKING LEVEL CONTACTS CURRENTLY OUT OF TOWN AND ASSISTANT UNDERSECRETARY OIL AFFAIRS ADASANI CLAIMED TO BE TIED- UP. ECONOMIST CORRESPONDENT HOUSEGO DID TALK WITH ADASANI, HOWEVER, AND HIGH POINTS HIS CONVERSATION MAY BE OF INTEREST DEPT.

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2. HOUSEGO TOLD EMBOFF THAT HE ASKED KUWAITIS WHETHER THEY BELIEVED THAT INITIATIVE TO RENEGOTIATE PARTICIPATION AGREEMENT CAME FROM GULF PRESIDENT DORSEY. HOUSEGO REASONED GULF PRESENTLY CRUDE SHORT AND IN EXCHANGE FOR FREEDOM OF KOC TO PRODUCE ABOVE THREE MILLION BPD LEVEL, COMPANY WOULD AGREE TO MORE LIBERAL PARTICIPATION PACKAGE. ACCORDING HOUSEGO ADASANI FIRMLY DENIED INITIATIVE CAME FROM GULF BUT OPPOSITION ELEMENTS IN NATIONAL ASSEMBLY AGREED HOUSEGO' S HYPOTHESIS CORRECT. EMBOFF TOLD HOUSEGO HE HAD NO EVIDENCE TO CORROBORATE HIS ALLEGATION, AND IN SEPARATE CONVERSATION SENIOR KOC OFFICIAL DENIED TO EMBOFF THAT GULF INITIATED RENEGOTIATION OF PARTICIPATION AGREEMENT.

3. HOUSEGO SAID ADASANI ALSO DENIED KUWAITI MILITARY EXPANSION PROGRAM BEHIND RECENT DEVELOPMENTS. ADASANI REITERATED LINE THAT GOK ACTION WAS RESULT OF SERIES DEVELOPMENTS ELSEWHERE AMONG OIL PRODUCING COUNTRIES. HE ALSO INDICATED GOK MOVE WAS NOT RPT NOT TAKEN IN OPPOSITION TO SAG.

4. WHILE KOC OFFICIALS NOT NOTICEABLY UPSET OVER TURN OF EVENTS, THEY NOT SURE WHAT WILL HAPPEN. IT NOT CLEAR TO KOC WHETHER SIGNIFICANT NEW OIL FIELDS EXIST, ALTHOUGH THEY THINK AREA DISCUSSED REFTELS PROMISING. THEY ALSO NOT CONVINCED GOK WILL ALLOW SIGNIFICANT INCREASE IN PRODUCTION EVEN FROM NEW FIELDS. AS WITH ORIGINAL PARTICIPATION AGREEMENT, KEY ELEMENT WILL BE NATIONAL ASSEMBLY.

5. MATTER LIKELY REMAIN IN LIMBO SINCE NATIONAL ASSEMBLY SCHEDULED ADJOURN JULY 3 AND ATIQI HEADING FOR VACATION IN SWITZERLAND AFTER ARAB ECONOMIC UNITY MEETINGS IN CAIRO JULY 3-7. BP HOPES DISCUSS MATTER QUIETLY WITH ATIQI IN SWITZERLAND PRIOR TO MORE FORMAL TALKS THERE AT END OF MONTH IN WHICH GULF AND KOC REPS EXPECTED PARTICIPATE.

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

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**TAGS:** ENRG, KU  
**To:** ABU DHABI  
BEIRUT  
DHAHRAN  
JIDDA  
LONDON  
NEA  
SECSTATE WASHDC

TEHRAN  
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